

Finance/DPD
EB
File

DPD-1729-60

#612

REPLY TO:
Auditor General

P.O. Box 8155, S.W. Station
Washington, D. C.

26 February 1960

25X1A1d

25X1A5a1

SUBJECT: Report on Evaluation of Cost Estimate
[REDACTED] Incorporated
Proposal No. CDC-3, dated 7 January 1960
Development and Production of Helmet for
Partial Pressure Suit

TO : Contracting Officer

REF : DPD-0505-60, dated 21 January 1959

1. In accordance with referenced request, a review has
been made of subject proposal.

2. The results of examination and auditor's comments
are as follows:

25X1A10

[REDACTED]

3.

NFB-1729-60

(a) Considered reasonable based upon review of required material components, vendor's invoices and quotes. Material cost of sample exceeds production unit by \$907, representing "trial and error" materials. Contractor's provision of 10% included therein for loss and damage was not subject to accounting determination. Contractor explained that 10% has been their experience for work of this nature. *High*

(b) Represents anticipated tooling cost on the sample since the specific item has not been previously produced. Tooling costs of one component (coating, conductive for visor) required for this procurement and previously used in producing a similar unit was \$1,000 for a quantity of 2. Therefore, special tooling provision is considered reasonable.

(c) Hourly labor rates used by contractor are considered reasonable. With respect to hours required, the auditor was unable to obtain a comparison with actual hours required to produce like items, as the contractor does not maintain segregated costs pertaining to the helmet. However, a review of the overall results of fourteen recently completed projects showed that contractor's original estimates as to labor hour requirements were conservative, and that for the group as a whole, actual labor expended exceeded the original estimates by 1.4%.

(d) The 90% rate is considered reasonable as the 1959 experienced rate is 93% and there are no presently known significant factors that will cause the rate to fluctuate materially.

(e) The 12.5% rate is considered reasonable as the actual 1959 rate is 12.4%. Based upon contractor's anticipated volume conditions, this rate should remain fairly stable.

25X1A10

The results of this review were discussed with contractor's representatives, Miss Ray Smith and Mr. Donald R. Libby who agreed with the findings as reported.

Audit Liaison Officer
Eastern District
Auditor General

25X1A2e